

Message Text

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PAGE 01 MAPUTO 00897 111041Z

15

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R 110715Z AUG 76

FM AMEMBASSY MAPUTO

TO SECSTATE WASHDC 4889

INFO AMEMBASSY DAL ES SALAAM

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY LILONGWE

AMEMBASSY LUSAKA

AMEMBASSY MBABANE

AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

USDOC

C O N F I D E N T I A L MAPUTO 0897

DEPT PLS PASS EXIM BANK

E.O. 11652: GDS

TAGS: EFIN, ECON, MZ

SUBJECT: MOZAMBIQUE FOREIGN EXCHANGE RESERVES DECLINE

REF: MAPUTO 885 (NOTAL)

1. BANK OF MOZAMBIQUE (BM) OFFICIAL TOLD EMBASSY LOCAL THAT MOZAMBIQUE'S FOREIGN EXCHANGE RESERVES CURRENTLY STAND AT ABOUT US \$62 MILLION. OFFICIAL ATTRIBUTED 80 PCT OF RESERVES TO SALE OF GOLD PAID BY SOUTH AFRICA TO MOZAMBIQUE FOR MIGRANT MINE LABOR. MONEY IS PAID TO BM QUARTERLY, CURRENTLY AT RATE OF ABOUT US \$6.2 MILLION PER QUARTER. THESE FIGURES ARE NET FUNDS AVAILABLE TO GPRM AFTER PAYMENT OF WITHHELD PORTION OF MINERS' WAGES.

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PAGE 02 MAPUTO 00897 111041Z

2. COMMENT: BM OFFICIAL IS UNKNOWN TO EMBASSY, BUT LOCAL SAID MAN CLAIMED TO BE PERSON IN CHARGE OF FOREIGN EXCHANGE TRANSACTIONS IN BM, AND MAKES BOOK ENTRIES. EMBOFF ATTEMPTED VERIFY FIGURES WITH GPRM OFFICIAL WHO PREVIOUSLY HAD FIRSTHAND KNOWLEDGE OF FOREIGN EXCHANGE RESERVES, BUT THIS OFFICIAL STATED HIS FUNCTION OF MONITORING FOREIGN EXCHANGE BALANCES HAD BEEN TRANSFERRED TO BM AS OF JUNE 25, 1976. ALTHOUGH HE NO LONGER KNEW AMOUNT OF RESERVE, HE THOUGHT AMOUNT "SOUNDED ABOUT RIGHT". FIGURE OF \$62 MILLION DOES NOT REPRESENT TOTAL FOREIGN EXCHANGE AVAILABLE TO COUNTRY, AS EACH COMMERCIAL BANK IS STILL ALLOWED TO HOLD SLIGHTLY LESS THAN ONE MILLION DOLLARS IN FOREIGN EXCHANGE, AND SHIPPING COMPANIES ARE ALLOWED TO MAINTAIN FOREIGN EXCHANGE ACCOUNTS. NEVERTHELESS, AMOUNT, IF ACCURATE, IS SUBSTANTIALLY LOWER THAN BM'S 1975 YEAR-END RESERVES WHICH GPRM OFFICIAL MENTIONED ABOVE ESTIMATED AT US\$ 100-120 MILLION.

3. REASONS FOR LOWER RESERVES ARE SEVERAL: (A) REDUCTION IN FOREIGN EXCHANGE EARNINGS FROM FORMER STRONG EARNERS SUCH AS AGRICULTURAL EXPORTS AND TRANSPORTATION EARNINGS. LOSS OF REVENUE FROM RHODESIAN TRAFFIC FIGURES HEAVILY IN THE LATTER; (B) NUMBER OF MOZAMBIKAN MINE WORKERS IN SOUTH AFRICAN HAS FALLEN FROM 105,000 AT END OF 1975 TO 80,000 (REFTEL) (C) FALLING PRICE OF GOLD HAS NEGATIVELY AFFECTED GPRM'S WINDFALL PROFITS; (D) GPRM IS BELIEVED TO HAVE SPENT HEAVILY FOR FOOD IMPORTS DURING EARLY 1976. RESERVES WOULD MOST LIKELY BE SUBSTANTIALLY LESS WERE IT NOT FOR AUSTERE GPRM EXPENDITURES AND TIGHT IMPORT RESTRICTIONS.
DE PREE

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